

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Elk Rapids	County Antrim
Audit Date February 28, 2005	Opinion Date July 14, 2005	Date Accountant Report Submitted to State: August 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

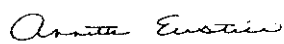
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON ANNETTE EUSTICE, CPA			
Street Address 250 E FRONT ST, PO BOX 808	City TRAVERSE CITY	State MI	Zip 49685-0808
Accountant Signature  CPA, CGFM			

# **VILLAGE OF ELK RAPIDS, MICHIGAN**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
February 28, 2005**

# VILLAGE OF ELK RAPIDS, MICHIGAN

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

July 14, 2005

Village Council  
Village of Elk Rapids  
Elk Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Elk Rapids, Michigan*** (the "Village"), as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons of the General, Major Street, Local Street and Municipal Street funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note IV E, the Village adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of and for the year ended February 28, 2005. This results in a change to the Village's format and content of the basic financial statements.

The Management's Discussion and Analysis listed on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Johnson".

## **Management's Discussion and Analysis**

As the Village Manager for the Village of Elk Rapids, and head of the Villages' management team, it is my pleasure to welcome you to this review of our fiscal year ending February 28, 2005. If you have reviewed the Village's previous annual financial audits, you will notice that this year is significantly different. Over the past several years, most local units of government in the United States have been incorporating financial reporting changes called for in the recently adopted GASB 34 standard. This year, the Village of Elk Rapids made the conversion and those changes are reflected throughout this document. While there are many technical changes, the most important thing for the reviewer of this document to know is that the goal of GASB 34 is to give a more balanced picture of the Village's assets and liabilities. As an example, while it is important to know what assets the Village has, it is also important to know how old they are, how long they will last, and if funds are being set aside to replace them. The changes contained herein should help provide the reader with that better balance.

Also new this year is management's discussion and analysis. It is the goal of this analysis to help make the information contained in these statements more approachable and meaningful for those who review it. If you have any questions, comments or suggestions that would help us in that goal, please feel free to let me know.

As management of the Village of Elk Rapids, we offer readers of the Village of Elk Rapids' financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

- The assets of the Village (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$10,355,807 (net assets). Of this amount, \$1,522,539 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$385,915.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$197,729, a decrease of \$50,615 from the prior year.
- At the end of the current fiscal year, the total General Fund balance was at a deficit of \$122,962. During the fiscal year ended February 29, 2004, expenditures were incurred by the fund for the construction of the Village Hall, which were paid with long-term advances from the enterprise funds. The deficit fund balance will be eliminated through future release of captured taxes.
- The Village's total long-term debt increased by \$78,660 because of a note payable issued to purchase a John Deere utility loader and decreased by \$166,100 due to the scheduled repayments of debt.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, community development and recreation and cultural. The business-type activities of the Village include water, sewer, waste collection and harbor operations.

The government-wide financial statements include not only the Village (known as the primary government), but also a legally separate entity - the Downtown Development Authority; which is a *discretely presented component unit* of the Village. Financial information for this *component* unit is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, Municipal Street and Government Building Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-24 of this report.

*Proprietary Funds* are also maintained by the Village. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer, waste collection and harbor operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor pool. Because these services benefit general, major and local streets, and water, sewer, waste collection and harbor fund functions, the services have been allocated between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village maintains four individual proprietary funds, all of which are considered to be major funds of the Village. Information is presented separately in the proprietary fund statement of net assets and in the proprietary fund statement of revenues, expenses and changes in net assets for the Water, Sewer, Waste Collection and Harbor Major Funds.

The basic proprietary fund financial statements can be found on pages 25-30 of this report and in the business-type activities in the government-wide financial statements.

*Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on pages 31 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They should be read thoroughly as part of any review of the Village's financial statements. The notes to the financial statements can be found on pages 32-46 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 47-59 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$10,355,807 at the close of the most recent fiscal year.

The largest portion of the Village's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

*[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]*

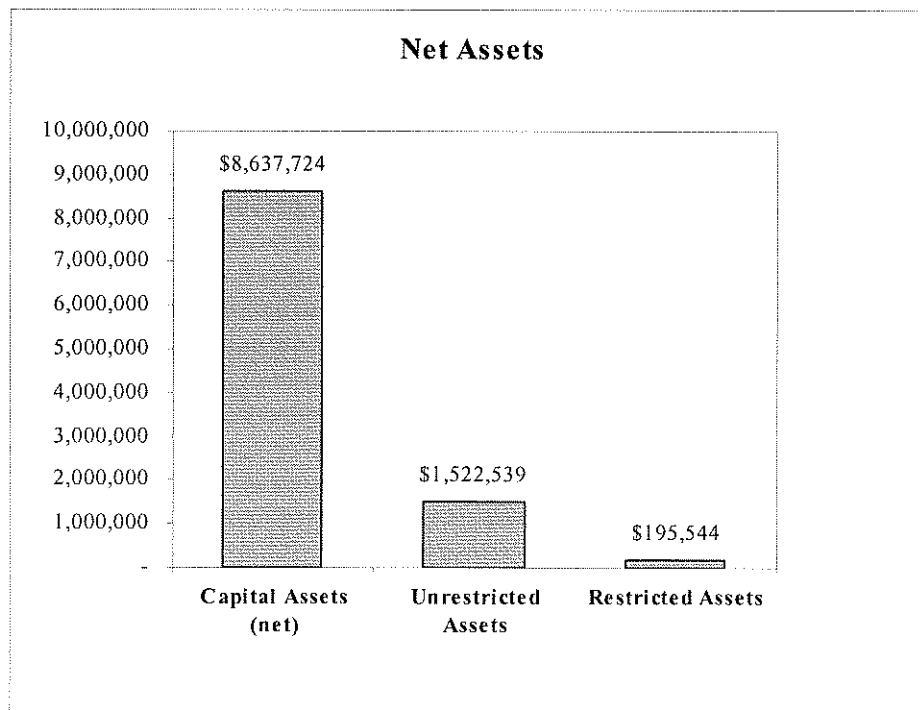


**Village of Elk Rapids, Michigan**  
**Net Assets as of February 28, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 282,065	\$ 2,037,274	\$ 2,319,339
Capital assets	<u>2,394,475</u>	<u>8,755,414</u>	<u>11,149,889</u>
Total assets	<u>2,676,540</u>	<u>10,792,688</u>	<u>13,469,228</u>
Long-term liabilities outstanding	1,392,075	1,172,071	2,564,146
Other liabilities	<u>59,850</u>	<u>489,425</u>	<u>549,275</u>
Total liabilities	<u>1,451,925</u>	<u>1,661,496</u>	<u>3,113,421</u>
Net assets			
Invested in capital assets, net of related debt	1,039,310	7,598,414	8,637,724
Restricted	-	195,544	195,544
Unrestricted	<u>185,305</u>	<u>1,337,234</u>	<u>1,522,539</u>
<b>Total net assets</b>	<b><u>\$ 1,224,615</u></b>	<b><u>\$ 9,131,192</u></b>	<b><u>\$ 10,355,807</u></b>

A portion of the Village's net assets (2%) represents resources that are subject to external restrictions on how they may be used both for the Village as a whole, as well as for its separate governmental and business-type activities. The balance in *restricted assets* reflects the Village's Bond Debt reserve. The remaining balance of *unrestricted net assets* (15%) may be used to meet the Village's ongoing obligations to citizens and creditors.

The government's net assets increased by \$385,915 during the current fiscal year. Governmental activities showed an increase of \$227,195 while business-type activities showed an increase of \$158,720.



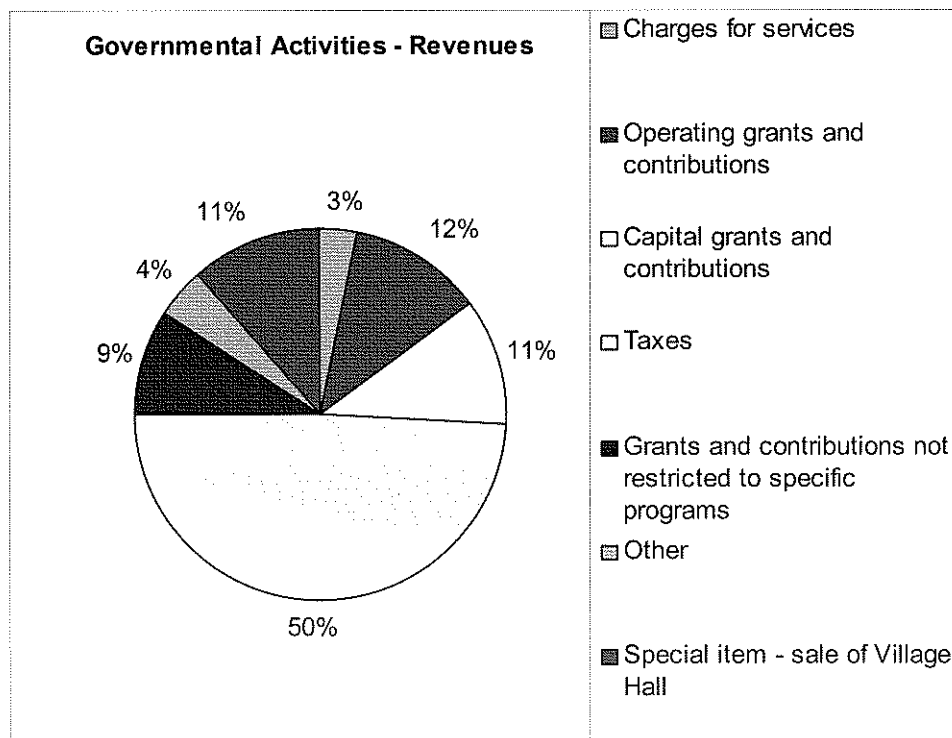
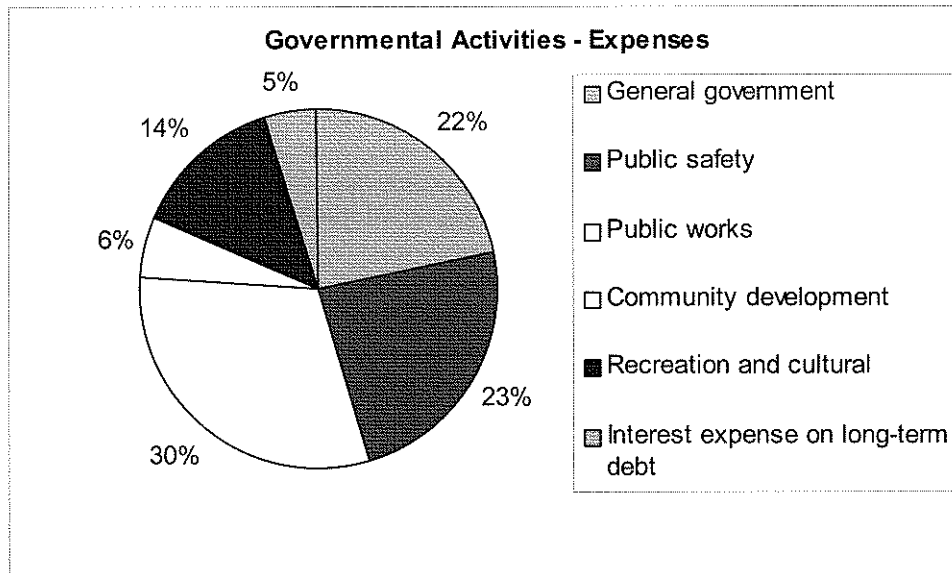
The following table illustrates and summarizes the aforementioned results of change in Net Assets for the Village and was derived from the Government-Wide Statement of Activities.

**Village of Elk Rapids, Michigan**  
**Change in Net Assets**  
**For the Fiscal Year Ended February 28, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Program Revenue</b>			
Charges for services	\$ 53,268	\$ 1,521,065	\$ 1,574,333
Operating grants and contributions	192,249	8,959	201,208
Capital grants and contributions	182,771	-	182,771
<b>General Revenue</b>			
Taxes	810,176	131,960	942,136
Grants and contributions not restricted to specific programs	149,704	-	149,704
Other	72,805	69,489	142,294
Special item – Sale of Village Hall	<u>188,980</u>	<u>-</u>	<u>188,980</u>
<b>Total Revenues</b>	<u><b>1,649,953</b></u>	<u><b>1,731,473</b></u>	<u><b>3,381,426</b></u>
<b>Expenses</b>			
General government	313,645	-	313,645
Public safety	334,635	-	334,635
Public works	435,775	-	435,775
Community development	81,018	-	81,018
Recreation and cultural	199,144	-	199,144
Interest on long-term debt	66,541	-	66,541
Water	-	254,323	254,323
Sewer	-	407,478	407,478
Waste collection	-	200,881	200,881
Harbor	<u>-</u>	<u>702,071</u>	<u>702,071</u>
<b>Total Expenses</b>	<u><b>1,430,758</b></u>	<u><b>1,564,753</b></u>	<u><b>2,995,511</b></u>
 Increase in net assets before transfers	 219,195	 166,720	 385,915
Transfers	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>
<b>Increase in net assets</b>	<b>227,195</b>	<b>158,720</b>	<b>385,915</b>
Net assets – beginning of year	<u>997,420</u>	<u>8,972,472</u>	<u>9,969,892</u>
<b>Net assets – end of year</b>	<u><b>\$ 1,224,615</b></u>	<u><b>\$ 9,131,192</b></u>	<u><b>\$ 10,355,807</b></u>

*Governmental Activities.* Governmental activities increased the Village's net assets by \$227,195, or 2.3%. Key elements of this performance are as follows:

- Property tax revenue rose slightly, while state shared revenue decreased slightly.
- Expenses were largely held in check versus budget.



**Business-Type Activities.** Business-type activities increased the Village's net assets by \$158,720 or 1.6%. Key elements of this performance are as follows:

- The Water Fund - in this year there was not a financial commitment to the building construction fund as there was in the previous year.
- The Harbor Fund - in this year there was not a financial commitment to the building construction fund as there was in the previous year.

### **Financial Analysis of the Village's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$197,729, a decrease of \$50,615 in comparison with the prior year. The decrease is due largely to the Bridge Street improvement and debt fund and the Major, Local and Municipal Street funds. Some of these costs were offset by the sale of the old village hall.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the total General Fund balance was at a deficit of \$122,962. During the fiscal year ended February 29, 2004, expenditures were incurred by the fund for the construction of the Village Hall, which were paid with long-term advances from the enterprise funds. The deficit fund balance will be eliminated through future release of captured taxes.

The General Fund balance decreased by only \$366 during the current fiscal year. This is primarily attributable to: on the expense side: land purchase and clean up of the old Chippewa Oil site, governmental building internal debt service and library landscape improvements. On the earnings side: reduced State revenue sharing.

The Major, Local and Municipal Street Funds have total fund balances of \$127,125, which decreased by \$139,797 during the year. This decrease is due to the paving of South Bayshore water project and reconstruction of Bridge Street.

The Government Building Fund has a total fund balance of \$33,591, which increased by \$154,719 during the year due to the sale of the old Village Hall.

*Proprietary Funds.* The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sewer, Waste Collection and Harbor Funds at the end of the year amounted to \$1,340,374, restricted assets of \$195,544 and capital assets net of related debt of \$7,598,414. The Water Fund had an increase in net assets for the year of \$102,717, the Sewer Fund had a decrease of \$16,488, the Waste Collection Fund had a decrease of \$8,827 and the Harbor Fund had an increase of \$84,458.

## Capital Asset and Debt Administration

**Capital Assets.** The Village's capital assets for its governmental and business type activities as of February 28, 2005, amounted to \$11,149,889 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, system improvements, vehicles, machinery and equipment, park facilities, roads, and sidewalks. The total increase in the Village's investment in capital assets for the current fiscal year was \$206,833 with governmental activity assets increasing by \$269,588 and business-type assets decreasing by \$62,755.

Major capital asset events during the current fiscal year included the following:

- Purchase of furniture and equipment for the new Village Hall.
- Bridge Street improvements.
- Paving of the Traverse Street Parking Lot.
- Purchase of a new John Deere Utility Loader.

### *Village of Elk Rapids' Capital Assets* (net of depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 585,021	\$ 26,430	\$ 611,451
Land improvements	124,523	-	124,523
Infrastructure	209,231	-	209,231
Buildings and structures	1,168,068	17,413	1,185,481
Improvements to systems	-	8,657,841	8,657,841
Vehicles	56,185	-	56,185
Furniture and equipment	<u>251,447</u>	<u>53,730</u>	<u>305,177</u>
<b>Total</b>	<b><u>\$ 2,394,475</u></b>	<b><u>\$ 8,755,414</u></b>	<b><u>\$ 11,149,889</u></b>

Additional information on the Village's capital assets can be found in Note III.C on pages 39-40 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Village had total bonded debt and note payables of \$2,512,165. Of this amount, \$985,000 comprises debt backed by the full faith and credit of the government (not including the DDA bonded debt). The remainder of the Village's debt represents notes payable and bonds secured solely by specified revenue sources (i.e., revenue bonds).

### **Village of Elk Rapids' Outstanding Debt** General Obligation Notes / Bonds and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 985,000	\$ -	\$ 985,000
Notes payable	370,165	-	370,165
Revenue bonds	<u>-</u>	<u>1,157,000</u>	<u>1,157,000</u>
<b>Total</b>	<b><u>\$ 1,355,165</u></b>	<b><u>\$ 1,157,000</u></b>	<b><u>\$ 2,512,165</u></b>

The Village's total long-term debt increased by \$78,660 because of a note payable issued to purchase a John Deere utility loader and decreased by \$166,100 due to the scheduled repayments of debt.

Additional information on the Village's long-term debt can be found in Note III.E on pages 42-43 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following significant factors were considered in preparing the Village's budget for the 2005-06 fiscal year:

- Reduced State revenue sharing.
- Increased taxable value that would not be attributed to the DDA, TIFA districts.
- Village development of the Master Plan and Recreation Master Plan.
- Major and Local street overlay program.
- Development of a third village well.
- Harbor dredging.
- Sidewalk improvements.
- Sewer lift station improvements.
- Rehabilitation of the L8000 plow truck.
- Winterize Cedar Street bathroom.
- DDA alley reconstruction (west side).
- DDA drainage project (east side).
- Harbor gazebo construction.
- Library improvements.
- Purchase of a police vehicle.
- Television of sanitary sewer mains.

### **Requests for Information**

This discussion and analysis is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, Village of Elk Rapids, 315 Bridge Street, P.O. Box 398, Elk Rapids, Michigan 49629-0398.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY
<b>ASSETS</b>				
Cash and cash equivalents	\$ 426,594	\$ 1,369,442	\$ 1,796,036	\$ 265,968
Receivables	45,822	58,053	103,875	-
Due from other governments	87,228	-	87,228	-
Prepaid items	46,679	16,842	63,521	124
Inventory	-	56,482	56,482	-
Restricted cash	-	195,544	195,544	-
Unamortized bond discount	-	16,653	16,653	-
Internal balances	(324,258)	324,258	-	-
Land	585,021	26,430	611,451	-
Capital assets, net	1,809,454	8,728,984	10,538,438	-
<b>TOTAL ASSETS</b>	<b>2,676,540</b>	<b>10,792,688</b>	<b>13,469,228</b>	<b>266,092</b>
<b>LIABILITIES</b>				
Accounts payable	12,665	42,106	54,771	2,814
Accrued expenses	36,458	16,907	53,365	600
Accrued interest payable	10,727	10,639	21,366	18,041
Unearned revenue	-	419,773	419,773	-
Long-term liabilities				
Due within one year	103,149	75,000	178,149	155,000
Due in more than one year	1,288,926	1,097,071	2,385,997	665,000
<b>TOTAL LIABILITIES</b>	<b>1,451,925</b>	<b>1,661,496</b>	<b>3,113,421</b>	<b>841,455</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	1,039,310	7,598,414	8,637,724	-
Restricted for				
Debt service	-	195,544	195,544	-
Unrestricted (Deficit)	185,305	1,337,234	1,522,539	(575,363)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 1,224,615</b>	<b>\$ 9,131,192</b>	<b>\$ 10,355,807</b>	<b>\$ (575,363)</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	\$ 313,645	\$ 38,613	\$ 11,474	\$ -	\$ (263,558)
Public safety	334,635	14,655	903	-	(319,077)
Public works	435,775	-	173,272	182,771	(79,732)
Community development	81,018	-	-	-	(81,018)
Recreation and cultural	199,144	-	6,600	-	(192,544)
Interest expense on long-term debt	66,541	-	-	-	(66,541)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,430,758</b>	<b>53,268</b>	<b>192,249</b>	<b>182,771</b>	<b>(1,002,470)</b>
Business-type activities					
Water	254,323	333,531	8,959	-	88,167
Sewer	407,478	374,977	-	-	(32,501)
Waste collection	200,881	59,266	-	-	(141,615)
Harbor	702,071	753,291	-	-	51,220
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,564,753</b>	<b>1,521,065</b>	<b>8,959</b>	<b>-</b>	<b>(34,729)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,995,511</b>	<b>\$ 1,574,333</b>	<b>\$ 201,208</b>	<b>\$ 182,771</b>	<b>\$ (1,037,199)</b>
<b>COMPONENT UNIT</b>					
Downtown development authority	\$ 305,792	\$ -	\$ -	\$ -	\$ (305,792)
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 305,792</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (305,792)</b>

Continued...

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY
<b>CHANGE IN NET ASSETS</b>				
Net (expense) revenue	\$ (1,002,470)	\$ (34,729)	\$ (1,037,199)	\$ (305,792)
General revenues				
Taxes	810,176	131,960	942,136	483,865
Grants and contributions not restricted to specific programs	149,704	-	149,704	20,647
Unrestricted investment earnings	15,442	52,218	67,660	6,710
Other revenues	57,363	17,271	74,634	-
Special item - sale of Village Hall	188,980	-	188,980	-
Internal transfers	8,000	(8,000)	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS</b>	<b>1,229,665</b>	<b>193,449</b>	<b>1,423,114</b>	<b>511,222</b>
<b>CHANGE IN NET ASSETS</b>	<b>227,195</b>	<b>158,720</b>	<b>385,915</b>	<b>205,430</b>
NET ASSETS (DEFICIT), BEGINNING OF YEAR, AS RESTATED	997,420	8,972,472	9,969,892	(780,793)
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 1,224,615</b>	<b>\$ 9,131,192</b>	<b>\$ 10,355,807</b>	<b>\$ (575,363)</b>

Concluded

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

# VILLAGE OF ELK RAPIDS, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS

FEBRUARY 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 121,768	\$ 20,219	\$ 32,861	\$ 32,241
Receivables				
Accounts	6,752	-	-	-
Taxes	30,022	-	-	7,149
Due from other governments	46,404	28,275	12,549	-
Prepaid items	33,239	2,090	2,064	-
<b>TOTAL ASSETS</b>	<b><u>\$ 238,185</u></b>	<b><u>\$ 50,584</u></b>	<b><u>\$ 47,474</u></b>	<b><u>\$ 39,390</u></b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,685	\$ 1,236	\$ 1,231	\$ 1,460
Accrued expenses	27,064	3,237	3,159	-
Advances from other funds	327,398	-	-	-
<b>Total liabilities</b>	<b><u>361,147</u></b>	<b><u>4,473</u></b>	<b><u>4,390</u></b>	<b><u>1,460</u></b>
<b>Fund balances (deficit)</b>				
Reserved				
Prepaid items	-	2,090	2,064	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved				
Undesignated (deficit)	(122,962)	44,021	41,020	37,930
<b>Total fund balances (deficit)</b>	<b><u>(122,962)</u></b>	<b><u>46,111</u></b>	<b><u>43,084</u></b>	<b><u>37,930</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 238,185</u></b>	<b><u>\$ 50,584</u></b>	<b><u>\$ 47,474</u></b>	<b><u>\$ 39,390</u></b>

The accompanying notes are an integral part of these financial statements.

<b>Government Building Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 33,591	\$ 159,210	\$ 399,890
-	-	6,752
-	1,899	39,070
-	-	87,228
-	-	37,393
<b>\$ 33,591</b>	<b>\$ 161,109</b>	<b>\$ 570,333</b>
\$ -	\$ 1,134	\$ 11,746
-	-	33,460
-	-	327,398
-	<b>1,134</b>	<b>372,604</b>
-	-	4,154
-	35,081	35,081
33,591	124,894	158,485
-	-	9
<b>33,591</b>	<b>159,975</b>	<b>197,729</b>
<b>\$ 33,591</b>	<b>\$ 161,109</b>	<b>\$ 570,333</b>

Continued...

VILLAGE OF ELK RAPIDS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

FEBRUARY 28, 2005

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RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 197,729

Amounts reported for governmental activities in the statement of net assets are different because:

Certain assets used in governmental activities, such as capital assets, are not financial resources, and therefore not reported in the funds.

Add: capital assets	2,651,633
Subtract: accumulated depreciation	(540,283)

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	227,723
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(985,000)
Subtract: notes payable	(282,019)
Subtract: accrued interest on long-term liabilities	(10,727)
Subtract: accrued compensated absences	(34,441)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,224,615</u>
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Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund
<b>REVENUES</b>				
Taxes	\$ 610,687	\$ -	\$ -	\$ 155,066
State revenue	150,607	122,608	50,664	-
Contributions from local governments	7,389	-	-	-
Charges for services	3,484	-	-	-
Licenses and permits	26,835	-	-	-
Fines and forfeitures	11,592	-	-	-
Interest revenue	5,614	2,102	951	1,465
Refunds and reimbursements	32,329	-	-	-
Other revenue	15,120	104	-	608
<b>TOTAL REVENUES</b>	<b>863,657</b>	<b>124,814</b>	<b>51,615</b>	<b>157,139</b>
<b>EXPENDITURES</b>				
Current operations				
General government	241,229	-	-	-
Public safety	326,228	-	-	-
Public works	-	127,155	110,303	52,182
Community development	67,427	-	-	-
Recreation and cultural	192,351	-	-	-
Debt service				
Principal	27,981	-	-	-
Interest expense	17,775	-	-	-
Capital outlay	-	86,992	49,935	-
<b>TOTAL EXPENDITURES</b>	<b>872,991</b>	<b>214,147</b>	<b>160,238</b>	<b>52,182</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,334)</b>	<b>(89,333)</b>	<b>(108,623)</b>	<b>104,957</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	27,673	14,000	85,000	-
Transfers out	(18,705)	(454)	(2,000)	(143,344)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,968</b>	<b>13,546</b>	<b>83,000</b>	<b>(143,344)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(366)</b>	<b>(75,787)</b>	<b>(25,623)</b>	<b>(38,387)</b>
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	(122,596)	121,898	68,707	76,317
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ (122,962)</b>	<b>\$ 46,111</b>	<b>\$ 43,084</b>	<b>\$ 37,930</b>

The accompanying notes are an integral part of these financial statements.



<b>Government Building Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ -	\$ 44,423	\$ 810,176
-	-	323,879
-	-	7,389
-	11,357	14,841
-	-	26,835
-	-	11,592
2,161	2,904	15,197
-	-	32,329
3,709	9,350	28,891
<b>5,870</b>	<b>68,034</b>	<b>1,271,129</b>
12,793	24,272	278,294
-	-	326,228
-	-	289,640
-	-	67,427
-	-	192,351
-	40,000	67,981
-	48,392	66,167
10,119	83,590	230,636
<b>22,912</b>	<b>196,254</b>	<b>1,518,724</b>
<b>(17,042)</b>	<b>(128,220)</b>	<b>(247,595)</b>
188,980	-	188,980
-	63,049	189,722
(17,219)	-	(181,722)
<b>171,761</b>	<b>63,049</b>	<b>196,980</b>
<b>154,719</b>	<b>(65,171)</b>	<b>(50,615)</b>
(121,128)	225,146	248,344
<b>\$ 33,591</b>	<b>\$ 159,975</b>	<b>\$ 197,729</b>

Continued...

VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (50,615)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	280,552
Subtract: depreciation expense	(61,425)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	67,981
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in accrued interest on long-term liabilities	376
Subtract: increase in the accrual of compensated absences	(3,685)

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net operating income of the internal service fund is partially reported with governmental activities.

Add: net loss of certain activities of the internal service fund reported with governmental activities	(5,989)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 227,195</u>
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Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Amended Budget to Actual Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 625,572	\$ 610,687	\$ 610,687	\$ -
Licenses and permits	23,250	26,835	26,835	-
State revenue	154,274	150,607	150,607	-
Contributions from local governments	1,800	7,389	7,389	-
Charges for services	3,850	3,484	3,484	-
Fines and forfeitures	5,000	11,592	11,592	-
Interest revenue	1,000	5,614	5,614	-
Refunds and reimbursements	-	32,329	32,329	-
Other revenue	4,700	15,120	15,120	-
<b>TOTAL REVENUES</b>	<b>819,446</b>	<b>863,657</b>	<b>863,657</b>	<b>-</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Village manager				
Salary and wages	35,179	39,001	39,001	-
Fringes	14,365	10,815	10,815	-
Supplies	400	993	993	-
Workshops and conferences	2,500	1,203	1,203	-
Other charges	1,550	1,345	1,345	-
<b>Total village manager</b>	<b>53,994</b>	<b>53,357</b>	<b>53,357</b>	<b>-</b>
Elections				
Supplies	850	371	371	-
Contractual services	1,200	678	678	-
Printing and publishing	300	61	61	-
<b>Total elections</b>	<b>2,350</b>	<b>1,110</b>	<b>1,110</b>	<b>-</b>
General services administration				
Salary and wages	16,800	19,155	19,155	-
Fringes	1,347	1,506	1,506	-
Contractual services	6,600	4,402	4,402	-
Attorney fees	11,000	11,422	11,422	-
Audit fees	2,800	3,336	3,336	-
Workshops and conferences	13,000	8,711	8,711	-
Community promotion	11,000	6,052	6,052	-
Insurance	13,500	6,710	6,710	-
Other charges	500	19,325	19,325	-
<b>Total general services administration</b>	<b>76,547</b>	<b>80,619</b>	<b>80,619</b>	<b>-</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Amended Budget to Actual Positive (Negative)</b>
Village hall administration				
Salary and wages	\$ 38,527	\$ 38,036	\$ 38,036	\$ -
Fringes	14,817	19,450	19,450	-
Supplies	6,800	6,708	6,708	-
Contractual services	4,800	3,305	3,305	-
Printing and publishing	5,000	6,256	6,256	-
Postage	4,000	4,180	4,180	-
Workshops and conferences	3,000	2,860	2,860	-
Phone	2,500	2,457	2,457	-
Insurance	2,000	994	994	-
Utilities	9,000	8,370	8,370	-
Repair and maintenance	2,000	931	931	-
Hydrant rental	6,000	6,000	6,000	-
Other charges	9,500	6,596	6,596	-
Total Village hall administration	107,944	106,143	106,143	-
<b>TOTAL GENERAL GOVERNMENT</b>	<b>240,835</b>	<b>241,229</b>	<b>241,229</b>	<b>-</b>
<b>PUBLIC SAFETY</b>				
Police				
Salary and wages	208,517	207,604	207,604	-
Fringes	79,596	79,753	79,753	-
Uniforms	6,500	3,491	3,491	-
Supplies	4,800	3,615	3,615	-
Fuel	5,000	5,011	5,011	-
Repair and maintenance	9,500	9,088	9,088	-
Phone	3,500	3,218	3,218	-
Workshop and conferences	2,500	307	307	-
Printing and publishing	750	711	711	-
Insurance	9,800	4,871	4,871	-
Utilities	4,500	4,781	4,781	-
Other charges	5,100	3,778	3,778	-
<b>TOTAL PUBLIC SAFETY</b>	<b>340,063</b>	<b>326,228</b>	<b>326,228</b>	<b>-</b>
<b>COMMUNITY DEVELOPMENT</b>				
Salary and wages	41,363	40,958	40,958	-
Fringes	18,292	17,397	17,397	-
Contractual services	2,200	1,259	1,259	-
Phone	1,600	820	820	-
Workshops and conferences	4,000	3,260	3,260	-
Printing and publishing	7,000	1,418	1,418	-
Other charges	14,360	2,315	2,315	-
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>88,815</b>	<b>67,427</b>	<b>67,427</b>	<b>-</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Amended Budget to Actual Positive (Negative)</b>
<b>RECREATION AND CULTURAL</b>				
Parks maintenance expense				
Salary and wages	\$ 49,997	\$ 57,749	\$ 57,749	\$ -
Fringes	18,078	18,278	18,278	-
Supplies	4,500	4,088	4,088	-
Contractual services	15,500	17,938	17,938	-
Repair and maintenance	6,000	5,918	5,918	-
Insurance	1,600	795	795	-
Utilities	5,300	6,743	6,743	-
Equipment rental	50,000	48,000	48,000	-
Other charges	3,500	2,268	2,268	-
Total parks maintenance expense	154,475	161,777	161,777	-
Beautification department				
Supplies	1,000	632	632	-
Contractual services	35,640	27,889	27,889	-
Workshops and conferences	700	1,524	1,524	-
Other	2,800	529	529	-
Total beautification department	40,140	30,574	30,574	-
<b>TOTAL RECREATION AND CULTURAL</b>	<b>194,615</b>	<b>192,351</b>	<b>192,351</b>	<b>-</b>
<b>DEBT SERVICE</b>				
Principal	22,398	27,981	27,981	-
Interest expense	35,421	17,775	17,775	-
<b>TOTAL DEBT SERVICE</b>	<b>57,819</b>	<b>45,756</b>	<b>45,756</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>922,147</b>	<b>872,991</b>	<b>872,991</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(102,701)</b>	<b>(9,334)</b>	<b>(9,334)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,000	27,673	27,673	-
Transfers out	(57,300)	(18,705)	(18,705)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(41,300)</b>	<b>8,968</b>	<b>8,968</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(144,001)</b>	<b>(366)</b>	<b>(366)</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<b>(122,596)</b>	<b>(122,596)</b>	<b>(122,596)</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<b>\$ (266,597)</b>	<b>\$ (122,962)</b>	<b>\$ (122,962)</b>	<b>\$ -</b>

Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
MAJOR STREET FUND**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Amended Budget to Actual Positive (Negative)</b>
<b>REVENUES</b>				
State revenue	\$ 113,445	\$ 124,222	\$ 122,608	\$ (1,614)
Interest revenue	350	1,800	2,102	302
Other revenue	-	-	104	104
<b>TOTAL REVENUES</b>	<b>113,795</b>	<b>126,022</b>	<b>124,814</b>	<b>(1,208)</b>
<b>EXPENDITURES</b>				
<b>Public works</b>				
Routine maintenance				
Salary and wages	34,680	35,380	32,706	2,674
Fringe benefits	12,480	12,480	12,296	184
Supplies	3,000	3,000	455	2,545
Contractual services	11,300	11,300	9,698	1,602
Repair and maintenance	11,500	11,500	8,235	3,265
Equipment rent	22,000	22,000	22,000	-
Other	2,500	2,500	-	2,500
Total routine maintenance	97,460	98,160	85,390	12,770
Winter maintenance				
Salary and wages	12,810	12,810	9,049	3,761
Fringe benefits	3,045	3,045	2,749	296
Supplies	4,000	4,000	2,967	1,033
Equipment rent	27,000	27,000	27,000	-
Total winter maintenance	46,855	46,855	41,765	5,090
Construction - street overlay	30,000	86,992	86,992	-
<b>TOTAL EXPENDITURES</b>	<b>174,315</b>	<b>232,007</b>	<b>214,147</b>	<b>17,860</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(60,520)</b>	<b>(105,985)</b>	<b>(89,333)</b>	<b>16,652</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	14,000	14,000	-
Transfers out	(454)	(454)	(454)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(454)</b>	<b>13,546</b>	<b>13,546</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(60,974)</b>	<b>(92,439)</b>	<b>(75,787)</b>	<b>16,652</b>
FUND BALANCE, BEGINNING OF YEAR	121,898	121,898	121,898	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 60,924</b>	<b>\$ 29,459</b>	<b>\$ 46,111</b>	<b>\$ 16,652</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL LOCAL STREET FUND

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Positive (Negative)
<b>REVENUES</b>				
State revenue	\$ 46,220	\$ 55,210	\$ 50,664	\$ (4,546)
Interest revenue	350	350	951	601
<b>TOTAL REVENUES</b>	<b>46,570</b>	<b>55,560</b>	<b>51,615</b>	<b>(3,945)</b>
<b>EXPENDITURES</b>				
<b>Public works</b>				
Routine maintenance				
Salary and wages	29,365	29,365	26,971	2,394
Fringe benefits	10,895	10,895	10,518	377
Supplies	2,000	2,000	807	1,193
Contractual services	3,500	3,992	2,794	1,198
Repair and maintenance	12,700	22,700	19,498	3,202
Equipment rent	17,000	17,000	17,000	-
Other	885	885	385	500
Total routine maintenance	76,345	86,837	77,973	8,864
Winter maintenance				
Salary and wages	15,310	15,310	11,283	4,027
Fringe benefits	4,091	4,091	3,800	291
Supplies	2,000	2,000	1,143	857
Equipment rent	16,000	16,000	16,000	-
Other	-	-	104	(104)
Total winter maintenance	37,401	37,401	32,330	5,071
Construction - street overlay	60,000	50,000	49,935	65
<b>TOTAL EXPENDITURES</b>	<b>173,746</b>	<b>174,238</b>	<b>160,238</b>	<b>14,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(127,176)</b>	<b>(118,678)</b>	<b>(108,623)</b>	<b>10,055</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,000	85,000	85,000	-
Transfers out	(2,000)	(2,000)	(2,000)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>83,000</b>	<b>83,000</b>	<b>83,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(44,176)</b>	<b>(35,678)</b>	<b>(25,623)</b>	<b>10,055</b>
FUND BALANCE, BEGINNING OF YEAR	68,707	68,707	68,707	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 24,531</b>	<b>\$ 33,029</b>	<b>\$ 43,084</b>	<b>\$ 10,055</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
MUNICIPAL STREET FUND**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended Budget to Actual Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 152,770	\$ 156,468	\$ 155,066	\$ (1,402)
Interest revenue	500	500	1,465	965
Other revenue	-	608	608	-
<b>TOTAL REVENUES</b>	<u>153,270</u>	<u>157,576</u>	<u>157,139</u>	<u>(437)</u>
<b>EXPENDITURES</b>				
Public works				
Street lighting	29,000	32,500	31,462	1,038
Other	21,147	21,147	20,720	427
<b>TOTAL EXPENDITURES</b>	<u>50,147</u>	<u>53,647</u>	<u>52,182</u>	<u>1,465</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>103,123</u>	<u>103,929</u>	<u>104,957</u>	<u>1,028</u>
<b>OTHER FINANCING USES</b>				
Transfers out	(129,344)	(143,344)	(143,344)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>(26,221)</u>	<u>(39,415)</u>	<u>(38,387)</u>	<u>1,028</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>76,317</u>	<u>76,317</u>	<u>76,317</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 50,096</u>	<u>\$ 36,902</u>	<u>\$ 37,930</u>	<u>\$ 1,028</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

FEBRUARY 28, 2005

	Water Fund	Sewer Fund	Waste Collection Fund
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 102,282	\$ 324,275	\$ 26,847
Accounts receivable	28,536	23,439	-
Taxes receivable	-	-	6,078
Prepaid items	3,266	5,354	2,173
Inventory	30,804	4,021	1,700
<b>Total current assets</b>	<b>164,888</b>	<b>357,089</b>	<b>36,798</b>
<b>Restricted assets</b>			
Cash and cash equivalents	118,102	-	-
<b>Long term assets</b>			
Land	25,800	630	-
Capital assets (net of accumulated depreciation)	2,086,408	2,296,458	28,666
Unamortized bond discount	-	-	-
Advances to other funds	143,574	143,574	-
<b>Total long term assets</b>	<b>2,255,782</b>	<b>2,440,662</b>	<b>28,666</b>
<b>TOTAL ASSETS</b>	<b>2,538,772</b>	<b>2,797,751</b>	<b>65,464</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	3,293	29,861	7,979
Accrued expenses	4,477	3,698	2,709
Accrued interest	3,019	-	-
Unearned revenue	-	-	-
Current portion of long-term debt	25,000	-	-
<b>Total current liabilities</b>	<b>35,789</b>	<b>33,559</b>	<b>10,688</b>
<b>Long term liabilities</b>			
Accrued compensated absences	4,621	3,319	2,825
Advances from other funds	143,574	143,574	48,147
Notes payable less current portion	-	-	-
Bonds payable less current portion	182,000	-	-
<b>Total long term liabilities</b>	<b>330,195</b>	<b>146,893</b>	<b>50,972</b>
<b>TOTAL LIABILITIES</b>	<b>365,984</b>	<b>180,452</b>	<b>61,660</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,905,208	2,297,088	28,666
Restricted for debt service	118,102	-	-
Unrestricted (Deficit)	149,478	320,211	(24,862)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,172,788</b>	<b>\$ 2,617,299</b>	<b>\$ 3,804</b>

The accompanying notes are an integral part of these financial statements.

<b>Harbor Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
\$ 916,038	\$ 1,369,442	\$ 26,701
-	51,975	-
-	6,078	-
6,049	16,842	9,289
19,957	56,482	-
<b>942,044</b>	<b>1,500,819</b>	<b>35,990</b>
77,442	195,544	-
-	26,430	14,012
4,317,452	8,728,984	269,113
16,653	16,653	-
375,545	662,693	-
<b>4,709,650</b>	<b>9,434,760</b>	<b>283,125</b>
<b>5,729,136</b>	<b>11,131,123</b>	<b>319,115</b>
973	42,106	919
6,023	16,907	2,998
7,620	10,639	-
419,773	419,773	-
50,000	75,000	34,861
<b>484,389</b>	<b>564,425</b>	<b>38,778</b>
4,306	15,071	2,469
-	335,295	-
-	-	53,285
900,000	1,082,000	-
<b>904,306</b>	<b>1,432,366</b>	<b>55,754</b>
<b>1,388,695</b>	<b>1,996,791</b>	<b>94,532</b>
3,367,452	7,598,414	194,979
77,442	195,544	-
895,547	1,340,374	29,604
<b>\$ 4,340,441</b>	<b>\$ 9,134,332</b>	<b>\$ 224,583</b>

Continued...

VILLAGE OF ELK RAPIDS, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

FEBRUARY 28, 2005

---

**RECONCILIATION OF NET ASSETS ON THE STATEMENT OF NET ASSETS FOR ENTERPRISE FUNDS  
TO NET ASSETS OF BUSINESS-TYPE ACTIVITIES ON THE STATEMENT OF NET ASSETS**

NET ASSETS - TOTAL ENTERPRISE FUNDS \$ 9,134,332

Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. Certain assets and liabilities of the internal service fund are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in internal service funds (3,140)

**NET ASSETS OF BUSINESS-TYPE ACTIVITIES** \$ 9,131,192

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Water Fund	Sewer Fund	Waste Collection Fund
<b>OPERATING REVENUES</b>	\$ 333,531	\$ 374,977	\$ 59,266
<b>OPERATING EXPENSES</b>			
Water operations	171,694	-	-
Sewer operations	-	319,131	-
Waste collection operations	-	-	195,608
Harbor operations	-	-	-
Motor pool operations	-	-	-
Depreciation and amortization	60,641	82,924	3,207
<b>TOTAL OPERATING EXPENSES</b>	<b>232,335</b>	<b>402,055</b>	<b>198,815</b>
<b>OPERATING INCOME (LOSS)</b>	<b>101,196</b>	<b>(27,078)</b>	<b>(139,549)</b>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Taxes	-	-	131,960
State revenue	3,303	-	-
Interest revenue	10,863	11,035	991
Other revenue	9,686	6,088	1,291
Interest expense	(20,331)	(4,533)	(1,520)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<b>3,521</b>	<b>12,590</b>	<b>132,722</b>
Net income (loss) before transfers	104,717	(14,488)	(6,827)
<b>TRANSFERS</b>			
Transfers in	25,984	-	-
Transfers out	(27,984)	(2,000)	(2,000)
<b>TOTAL TRANSFERS</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>
<b>CHANGE IN NET ASSETS</b>	<b>102,717</b>	<b>(16,488)</b>	<b>(8,827)</b>
NET ASSETS, BEGINNING OF YEAR	2,070,071	2,633,787	12,631
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,172,788</b>	<b>\$ 2,617,299</b>	<b>\$ 3,804</b>

The accompanying notes are an integral part of these financial statements.

<b>Harbor Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
\$ 753,291	\$ 1,521,065	\$ 163,164
-	171,694	-
-	319,131	-
-	195,608	-
503,110	503,110	-
-	-	131,377
150,081	296,853	47,239
<b>653,191</b>	<b>1,486,396</b>	<b>178,616</b>
<b>100,100</b>	<b>34,669</b>	<b>(15,452)</b>
-	131,960	-
-	3,303	-
29,329	52,218	242
5,862	22,927	6,831
(48,833)	(75,217)	(750)
<b>(13,642)</b>	<b>135,191</b>	<b>6,323</b>
86,458	169,860	(9,129)
-	25,984	-
(2,000)	(33,984)	-
<b>(2,000)</b>	<b>(8,000)</b>	<b>-</b>
84,458	161,860	(9,129)
4,255,983	8,972,472	233,712
<b>\$ 4,340,441</b>	<b>\$ 9,134,332</b>	<b>\$ 224,583</b>

Continued...

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET  
ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES**

**CHANGE IN NET ASSETS - TOTAL ENTERPRISE FUNDS** **\$ 161,860**

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. Certain revenues and expenses of the internal service fund are reported with business-type activities.

Add: net loss of certain activities of the internal service fund reported with business-type activities

(3,140)

**CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES**

**\$ 158,720**

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Water Fund	Sewer Fund	Waste Collection Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 331,093	\$ 374,420	\$ 59,266
Cash received from interfund services provided	-	-	-
Cash payments to employees	(64,368)	(52,747)	(40,625)
Cash payments to suppliers for goods and services	(97,937)	(246,677)	(145,373)
Cash payments for interfund services	(17,500)	(9,400)	(5,764)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>151,288</b>	<b>65,596</b>	<b>(132,496)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Taxes	-	-	133,872
Other revenue	9,686	6,088	1,291
State revenue	3,303	-	-
Transfers in from other funds	25,984	-	-
Transfers out to other funds	(27,984)	(2,000)	(2,000)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>10,989</b>	<b>4,088</b>	<b>133,163</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(193,550)	-	-
Repayments of advances (from) to other funds	-	-	(1,853)
Principal payments	(20,000)	-	-
Interest payments	(21,314)	(4,533)	(1,520)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(234,864)</b>	<b>(4,533)</b>	<b>(3,373)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	10,863	11,035	991
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(61,724)</b>	<b>76,186</b>	<b>(1,715)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	282,108	248,089	28,562
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 220,384</b>	<b>\$ 324,275</b>	<b>\$ 26,847</b>
<b>BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	\$ 102,282	\$ 324,275	\$ 26,847
Restricted assets - cash and cash equivalents	118,102	-	-
	<b>\$ 220,384</b>	<b>\$ 324,275</b>	<b>\$ 26,847</b>

The accompanying notes are an integral part of these financial statements.

<b>Harbor Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
\$ 774,397	\$ 1,539,176	\$ -
"	"	163,164
(130,212)	(287,952)	(43,369)
(389,525)	(879,512)	(98,393)
(500)	(33,164)	-
<b>254,160</b>	<b>338,548</b>	<b>21,402</b>
-	133,872	-
5,862	22,927	6,831
3,075	6,378	-
-	25,984	-
(2,000)	(33,984)	-
<b>6,937</b>	<b>155,177</b>	<b>6,831</b>
(39,360)	(232,910)	(19,040)
14,455	12,602	-
(69,000)	(89,000)	(9,119)
(49,337)	(76,704)	(750)
<b>(143,242)</b>	<b>(386,012)</b>	<b>(28,909)</b>
29,329	52,218	242
<b>147,184</b>	<b>159,931</b>	<b>(434)</b>
846,296	1,405,055	27,135
<b>\$ 993,480</b>	<b>\$ 1,564,986</b>	<b>\$ 26,701</b>
\$ 916,038	\$ 1,369,442	\$ 26,701
77,442	195,544	-
<b>\$ 993,480</b>	<b>\$ 1,564,986</b>	<b>\$ 26,701</b>

Continued...



# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Water Fund	Sewer Fund	Waste Collection Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 101,196	\$ (27,078)	\$ (139,549)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	60,641	82,924	3,207
Changes in assets and liabilities			
Accounts receivable	(2,438)	(557)	-
Prepaid items	(2,469)	(4,806)	(1,711)
Inventory	(9,058)	(942)	-
Accounts payable	3,044	14,855	5,169
Accrued expenses	598	780	731
Unearned revenue	-	-	-
Accrued compensated absences	(226)	420	(343)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 151,288</b>	<b>\$ 65,596</b>	<b>\$ (132,496)</b>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets through notes payable	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

<b>Harbor Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
\$ 100,100	\$ 34,669	\$ (15,452)
150,081	296,853	47,239
-	(2,995)	-
(3,980)	(12,966)	(8,489)
(9,346)	(19,346)	-
(1,410)	21,658	(2,436)
(28)	2,081	1,044
21,106	21,106	-
(2,363)	(2,512)	(504)
<b><u>\$ 254,160</u></b>	<b><u>\$ 338,548</u></b>	<b><u>\$ 21,402</u></b>
<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 78,660</u></b>

Concluded

# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF NET ASSETS FIDUCIARY FUNDS

**FEBRUARY 28, 2005**

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	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,793
Accounts receivable	<hr/> 2,194
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 22,987</b> <hr/>
 <b>LIABILITIES</b>	
Accounts payable	\$ 8,002
Accrued expenses	<hr/> 14,985
<b>TOTAL LIABILITIES</b>	<hr/> <b>\$ 22,987</b> <hr/>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELK RAPIDS, MICHIGAN**

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**Notes to the Financial Statements**

**February 28, 2005**

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# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The *Village of Elk Rapids* ("Village") is directed by a Village Council elected by the community at large. This legislative body appoints a Village Manager to administer the affairs of the Village. The Village provides the following services as authorized by its charter: public safety (police), public works, parks and recreation, community development and general administrative services. The Village has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, regarding the definition of the reporting entity.

#### Discretely Presented Component Unit

**Downtown Development Authority ("DDA")** – The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village Council also has the ability to significantly influence operations of the DDA. A complete financial statement of the DDA can be obtained from the Village Manager, Village of Elk Rapids, 315 Bridge Street, P.O. Box 398, Elk Rapids, Michigan 49629-0398.

#### Joint Operation

The Village participates in the Elk Rapids Township and Village Joint Building Authority. The joint authority operates with a separate treasurer. Separate financial statements for the Joint Building Authority are available by written request to Elk Rapids Township and Village Joint Building Authority, PO Box 398, Elk Rapids, MI 49629.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes, which are earmarked by State statute for local street and highway purposes.

The *Municipal Street Fund* accounts for the use of property taxes, which are earmarked for municipal street purposes.

The *Government Building Fund* accounted for the sale of the Village's old general government building during the current year and will then transfer the remaining proceeds to the funds that contributed to the construction of the new Village Hall.

The Village reports the following major proprietary funds:

The *Water Fund* accounts for the activities of the Village's water distribution system.

The *Sewer Fund* accounts for the activities of the Village's sewage disposal and treatment system.

The *Waste Collection Fund* accounts for the Village's waste collection operations.

The *Harbor Fund* accounts for the activities of the Village's Harbor operations.

Additionally, the Village reports the following fund types:

The *Internal Service Fund* accounts for motor vehicle and equipment management to other departments of the Village on a cost reimbursement basis.

The *Agency Funds* account for assets held by the Village in a trustee or agency capacity for individuals, private organizations, other governments and/or other funds.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Waste Collection and Harbor Enterprise Funds and of the government's Motor Pool Internal Service Fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Deposits and investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Restricted Assets**

Cash is restricted by bond debt requirements in the amount of \$195,544.

#### **3. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

#### **4. Inventory**

Inventory held by the enterprise funds is valued at cost on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost value of such inventories has been treated as an expenditure at the time of purchase.



# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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### 5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Public domain infrastructure	20
Systems and improvements	50-60
Land Improvements	15
Vehicles	5-12
Equipment	5-15

### 6. *Compensated absences*

Vacation days for Village employees are determined based on contracts with Village employees. The liability for these amounts is included in the government-wide and proprietary fund financial statements.

### 7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Appropriations are approved by the Village Council at the activity level for the General Fund and at the functional level for the Special Revenue Funds.

No later than February 28<sup>th</sup> of the preceding fiscal year the Village Council shall, by resolution, adopt the budget for the next year.

The Village Manager is authorized to transfer budgeted amounts between accounts within the same activity in the General Fund. Revisions that alter the total expenditures of any fund or total department activity in the General Fund must be approved by the Village Council.

### **B. Deficit fund equity**

At February 28, 2005, the General Fund had a deficit unreserved fund balance of \$122,962. During the fiscal year ended February 29, 2004, expenditures were incurred by the fund for the construction of the Village Hall, which were paid with long-term advances from the enterprise funds. The deficit fund balance will be eliminated through future release of captured taxes.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the state of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 20 of 1943 has authorized all allowable investments except repurchase agreements.

The Village's deposit and investment policy are in accordance with statutory authority.

Cash and cash equivalents and restricted assets are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 426,594	\$ 1,369,442	\$ 1,796,036	\$ 20,793	\$ 265,968
Restricted assets	-	195,544	195,544	-	-
<b>Total</b>	<b>\$ 426,594</b>	<b>\$ 1,564,986</b>	<b>\$ 1,991,580</b>	<b>\$ 20,793</b>	<b>\$ 265,968</b>

Cash and cash equivalents reported above include \$585 of cash on hand that is not considered deposits for footnote purposes.

The bank balance of the government's deposits is \$2,313,997. Of the bank balance, \$101,546 was covered by federal depository insurance. The remaining balance of \$2,212,451 was uninsured and uncollateralized.

#### B. Receivables

Receivables in the Village's governmental activities consist of 85% taxes receivable and 15% other receivables. Receivables in the business-type activities consist of 90% due from customers and 10% taxes receivable.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

### C. Capital assets

#### Primary Government

Capital assets recorded in the governmental activities of the primary government includes all sidewalk and streetscape improvements since March 1, 2004. All other infrastructure is not included in these financial statements.

Capital assets activity in the governmental and business-type activities was as follows for the year ended February 28, 2005:

	<u>March 1, 2004</u>	<u>Increases</u>	<u>February 28, 2005</u>
<b>Governmental activities</b>			
Capital assets not being depreciated			
Land	\$ 585,021	\$ -	\$ 585,021
Capital assets being depreciated			
Land improvements	189,583	52,576	242,159
Infrastructure	-	215,409	215,409
Buildings and structures	1,642,991	-	1,642,991
Vehicles	394,833	-	394,833
Furniture and equipment	<u>402,589</u>	<u>110,267</u>	<u>512,856</u>
Total capital assets being depreciated	<u>2,629,996</u>	<u>378,252</u>	<u>3,008,248</u>
Less accumulated depreciation for			
Land improvements	(105,885)	(11,751)	(117,636)
Infrastructure	-	(6,178)	(6,178)
Buildings and structures	(435,117)	(39,806)	(474,923)
Vehicles	(320,965)	(17,683)	(338,648)
Furniture and equipment	<u>(228,163)</u>	<u>(33,246)</u>	<u>(261,409)</u>
Total accumulated depreciation	<u>(1,090,130)</u>	<u>(108,664)</u>	<u>(1,198,794)</u>
Total capital assets being depreciated, net	<u>1,539,866</u>	<u>269,588</u>	<u>1,809,454</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$2,124,887</u></b>	<b><u>\$ 269,588</u></b>	<b><u>\$ 2,394,475</u></b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

	<u>March 1,</u> <u>2004</u>	<u>Increases</u>	<u>February 28,</u> <u>2005</u>
<b>Business-type activities</b>			
Capital assets not being depreciated			
Land	\$ 26,430	\$ -	\$ 26,430
Capital assets being depreciated			
Buildings and structures	63,362	-	63,362
Improvements to systems	11,983,865	222,618	12,206,483
Machinery and equipment	<u>127,233</u>	<u>10,292</u>	<u>137,525</u>
Total capital assets being depreciated	<u>12,174,460</u>	<u>232,910</u>	<u>12,407,370</u>
Less accumulated depreciation for			
Buildings and structures	(43,919)	(2,030)	(45,949)
Improvements to systems	(3,266,696)	(281,946)	(3,548,642)
Machinery and equipment	<u>(72,106)</u>	<u>(11,689)</u>	<u>(83,795)</u>
Total accumulated depreciation	<u>(3,382,721)</u>	<u>(295,665)</u>	<u>(3,678,386)</u>
Total capital assets being depreciated, net	<u>8,791,739</u>	<u>(62,755)</u>	<u>8,728,984</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$8,818,169</u></b>	<b><u>\$ (62,755)</u></b>	<b><u>\$ 8,755,414</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 30,004
Public safety	5,176
Public works	11,014
Community development	8,316
Recreation and cultural	6,915
Capital assets held by the Village's internal service fund charged to the various functions based on their usage of the assets	<u>47,239</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 108,664</u></b>
<b>Business-type activities</b>	
Water	\$ 60,642
Sewer	82,924
Waste Collection	3,207
Harbor	<u>148,892</u>
<b>Total depreciation expense – business-type activities</b>	<b><u>\$ 295,665</u></b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

### D. Interfund receivables, payables and transfers

The long term interfund receivables and payables are as follows as of February 28, 2005:

	Advances to			
	Water Fund	Sewer Fund	Harbor Fund	Total
<b>Advances From</b>				
General Fund	\$ -	\$ -	\$ 327,398	\$ 327,398
Enterprise Funds				
Water	143,574	-	-	143,574
Sewer	-	143,574	-	143,574
Waste collection	-	-	48,147	48,147
<b>Total</b>	<b>\$ 143,574</b>	<b>\$ 143,574</b>	<b>\$ 375,545</b>	<b>\$ 662,693</b>

These long term advances were entered into to finance the construction of the new Village hall during the year ended February 29, 2004. Each fund has scheduled payments until 2023 at an interest rate of 3.04%. The future payments including principal and interest to the General Fund, Water and Sewer Enterprise Funds, and the Waste Collection Enterprise Fund are \$22,937, \$10,059, and \$3,373, respectively.

The composition of interfund transfers is as follows:

	Transfers In				
	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Water Fund
<b>Transfers Out</b>					
General Fund	\$ -	\$ -	\$ -	\$ 18,705	\$ -
Major Street Fund	454	-	-	-	-
Local Street Fund	2,000	-	-	-	-
Municipal Street Fund	-	14,000	85,000	44,344	-
Government Building Fund	17,219	-	-	-	-
Sewer Fund	2,000	-	-	-	-
Water Fund	2,000	-	-	-	25,984
Waste Collection Fund	2,000	-	-	-	-
Harbor Fund	2,000	-	-	-	-
<b>Total</b>	<b>\$ 27,673</b>	<b>\$ 14,000</b>	<b>\$ 85,000</b>	<b>\$ 63,049</b>	<b>\$ 25,984</b>

Transfers are used to (1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) transfer amounts to debt service funds to make bond payments, (3) transfer amounts to the Major and Local Street Funds to finance the annual street overlay and (4) cover administrative costs incurred in the General Fund on behalf of other funds.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

### E. Long-term debt

**General obligation debt.** The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. These are direct obligations of the Village and the Village has pledged the full faith and credit. The Village obtains notes payable to provide funds for the acquisition of other capital assets, mostly vehicles and other related equipment.

The business-type activities have revenue bonds. These bonds' principal and interest are to be paid from the net revenues from the water supply system and the harbor operations.

The DDA component unit's bonds payable are also general obligations of the Village. The component unit's payables were issued by the component unit on behalf of the primary government. No debt agreements were issued by the component unit during the year ended February 28, 2005.

Following is a summary of bonds and notes payable of the Village including the DDA component unit for the year ending February 28, 2005:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
<b><u>Governmental activities</u></b>			
2000 General Obligation Water Bonds	2021	6.0%	\$ 485,000
2003 Capital Improvement Bonds - Bridge Street	2019	2.25-4.45%	500,000
Note payable - land purchase	2009	2.5%	282,019
Note payable - street sweeper	2006	4.0%	9,486
Note payable - John Deere utility loader	2008	3.25%	78,660
			<b><u>\$ 1,355,165</u></b>
<b><u>Business-type activities</u></b>			
1989 Water Supply System Revenue Bonds	2010	7.3-8.6%	\$ 175,000
1996 Water Supply System Revenue Bonds	2007	5.75%	32,000
2000 Marina Revenue Bonds	2019	4.75-5.25%	950,000
			<b><u>\$ 1,157,000</u></b>
<b><u>Downtown Development Authority Component Unit</u></b>			
1996 Michigan Transportation Fund Bonds	2011	4.15-5.16%	\$ 230,000
1994 DDA, Series A Bonds	2008	5.0-8.0%	415,000
1994 DDA, Series B Bonds	2008	7.1-8.0%	175,000
			<b><u>\$ 820,000</u></b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

The annual requirements to pay principal and interest on long-term debt obligations are as follows:

Fiscal Year	Governmental Activities General Obligation Bonds		Governmental Activities Notes Payable		Business-Type Activities Revenue Bonds		DDA Component Unit General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 40,000	\$ 46,900	\$ 63,149	\$ 10,103	\$ 75,000	\$ 58,483	\$ 155,000	\$45,625
2007	50,000	45,125	55,215	8,172	107,000	54,296	175,000	35,935
2008	50,000	43,063	56,811	6,575	80,000	48,245	185,000	26,285
2009	55,000	40,775	194,990	4,987	85,000	43,608	195,000	15,928
2010	55,000	38,300	-	-	90,000	38,800	35,000	5,110
2011-15	325,000	149,016	-	-	385,000	131,841	75,000	4,323
2016-20	365,000	59,532	-	-	335,000	35,994	-	-
2021	45,000	1,350	-	-	-	-	-	-
	<u>\$ 985,000</u>	<u>\$424,061</u>	<u>\$ 370,165</u>	<u>\$ 29,837</u>	<u>\$1,157,000</u>	<u>\$ 411,267</u>	<u>\$ 820,000</u>	<u>\$133,206</u>

*Changes in long-term liabilities.* Long-term liability activity was as follows:

	March 1, 2004	Additions	Reductions	February 28, 2005	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$1,025,000	\$ -	\$ (40,000)	\$ 985,000	\$ 40,000
Notes payable	328,605	78,660	(37,100)	370,165	63,149
Compensated absences	33,729	27,683	(24,502)	36,910	-
	<u>\$1,387,334</u>	<u>\$ 106,343</u>	<u>\$ (101,602)</u>	<u>\$ 1,392,075</u>	<u>\$ 103,149</u>
<b>Business-type activities</b>					
Revenue bonds	\$1,246,000	\$ -	\$ (89,000)	\$ 1,157,000	\$ 75,000
Compensated absences	17,583	14,024	(16,536)	15,071	-
	<u>\$ 1,263,583</u>	<u>\$ 14,024</u>	<u>\$ (105,536)</u>	<u>\$ 1,172,071</u>	<u>\$ 75,000</u>
<b>Downtown Development Authority Component Unit</b>					
General obligation bonds	<u>\$ 970,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 820,000</u>	<u>\$ 155,000</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.



# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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### **IV. OTHER INFORMATION**

#### **A. Risk management**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2005, the Village carried commercial insurance to cover all risk of losses. The worker's compensation insurance is the only retrospectively rated policy; any premiums accrued are based on the ultimate cost of the experience to date of the Village. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three fiscal years.

#### **B. Property taxes**

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. The Village levies taxes for general operating purposes, waste collection services and municipal streets.

Real property taxes not collected as of September 14 are assessed a penalty and turned over to Antrim County on February 28 for collection. The County remits the collections to the Village until the delinquent tax settlement date. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding July 1, the lien date) over base year assessed valuations on certain property located in the Village, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

#### **C. Defined Contribution Plan**

The Village sponsors the "Village of Elk Rapids Employee Pension Plan and Trust" defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full-time employees who have completed one year of service. Participants vest 20% each year for the first five years of service and are 100% vested thereafter. Participants are required to contribute 10% of their base pay and the Village is required to contribute an amount equal to 10% of the participant's base pay.

The plan is administered by third-party trustees. Plan provisions and contribution requirements were established and can only be amended by authorization of the Village Council. For the year ended February 28, 2005, the Village and eligible employees each contributed \$58,251.

#### **D. Contingencies**

Under the terms of State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, Village management does not believe such disallowances, if any, will be material to the financial position of the Village.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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### E. Restatements

As of and for the year ended February 28, 2005, the Village implemented the following Governmental Accounting Standards Board pronouncements:

#### Statements

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

#### Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village was required to implement the new requirements in the current year.

The more significant changes required by the new standards include:

- Management’s discussion and analysis
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements
- Required supplementary information, including certain budgetary schedules

As a result of implementing these pronouncements for the fiscal year ended February 28, 2005, the following restatements were made to beginning fund balance and net asset accounts.

The beginning net assets of the Water, Sewer, Waste Collection and Harbor Enterprise Funds and of the Internal Service Fund were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

# VILLAGE OF ELK RAPIDS, MICHIGAN

## Notes to the Financial Statements

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**Government-wide financial statements.** Beginning net assets for governmental activities was determined as follows:

Fund balances of General, special revenue, debt service and capital project funds as of February 28, 2004	\$ 248,344
Add - governmental capital assets, including general fixed assets, as of February 28, 2004	2,371,081
Deduct - accumulated depreciation as of February 28, 2004 on above governmental capital assets	(478,858)
Add - governmental internal service fund net assets as of February 28, 2004	233,712
Deduct - accrued compensated absences as of February 28, 2004	(30,756)
Deduct - long-term debt as of February 28, 2004	(1,335,000)
Deduct - accrued interest on long-term debt as of February 28, 2004	<u>(11,103)</u>
<b>Governmental net assets, restated, as of March 1, 2004</b>	<b><u>\$ 997,420</u></b>

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## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

FEBRUARY 28, 2005

	Government Building Operating Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,134	\$ 33,182	\$ 124,894	\$ 159,210
Taxes receivable	-	1,899	-	1,899
<b>TOTAL ASSETS</b>	<b>\$ 1,134</b>	<b>\$ 35,081</b>	<b>\$ 124,894</b>	<b>\$ 161,109</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,134	-	-	1,134
<b>FUND BALANCES</b>				
Reserved for debt service	-	35,081	-	35,081
Reserved for capital projects	-	-	124,894	124,894
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>35,081</b>	<b>124,894</b>	<b>159,975</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,134</b>	<b>\$ 35,081</b>	<b>\$ 124,894</b>	<b>\$ 161,109</b>

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<b>Government Building Operating Special Revenue Fund</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 44,423	\$ -	\$ 44,423
Charges for services	11,357	-	-	11,357
Interest revenue	10	567	2,327	2,904
Other revenue	1,500	-	7,850	9,350
<b>TOTAL REVENUES</b>	<b>12,867</b>	<b>44,990</b>	<b>10,177</b>	<b>68,034</b>
<b>EXPENDITURES</b>				
Current operations				
General government	24,272	-	-	24,272
Capital outlay	-	-	83,590	83,590
Debt service				
Principal	-	40,000	-	40,000
Interest expense	-	48,392	-	48,392
<b>TOTAL EXPENDITURES</b>	<b>24,272</b>	<b>88,392</b>	<b>83,590</b>	<b>196,254</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,405)</b>	<b>(43,402)</b>	<b>(73,413)</b>	<b>(128,220)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	11,405	44,344	7,300	63,049
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>942</b>	<b>(66,113)</b>	<b>(65,171)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>-</b>	<b>34,139</b>	<b>191,007</b>	<b>225,146</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 35,081</b>	<b>\$ 124,894</b>	<b>\$ 159,975</b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

FEBRUARY 28, 2005

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	<u>Bridge Street</u>	<u>River Crossing</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 774	\$ 32,408	\$ 33,182
Taxes receivable	-	1,899	1,899
<b>TOTAL ASSETS</b>	<u><u>\$ 774</u></u>	<u><u>\$ 34,307</u></u>	<u><u>\$ 35,081</u></u>
<b>FUND BALANCES</b>			
Reserved for debt service	<u><u>\$ 774</u></u>	<u><u>\$ 34,307</u></u>	<u><u>\$ 35,081</u></u>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Bridge Street	River Crossing	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ 44,423	\$ 44,423
Interest revenue	-	567	567
<b>TOTAL REVENUES</b>	<b>-</b>	<b>44,990</b>	<b>44,990</b>
<b>EXPENDITURES</b>			
Debt service			
Principal	25,000	15,000	40,000
Interest expense	19,093	29,299	48,392
<b>TOTAL EXPENDITURES</b>	<b>44,093</b>	<b>44,299</b>	<b>88,392</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(44,093)</b>	<b>691</b>	<b>(43,402)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	44,344	-	44,344
<b>NET CHANGE IN FUND BALANCES</b>	<b>251</b>	<b>691</b>	<b>942</b>
FUND BALANCES, BEGINNING OF YEAR	523	33,616	34,139
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 774</b>	<b>\$ 34,307</b>	<b>\$ 35,081</b>



**VILLAGE OF ELK RAPIDS, MICHIGAN**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS**

**FEBRUARY 28, 2005**

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	<u>General Capital Projects</u>	<u>Southwest Village Project</u>	<u>Bridge Street Project</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents (equal to fund balances reserved for capital projects)	<u>\$ 55,979</u>	<u>\$ 712</u>	<u>\$ 68,203</u>	<u>\$ 124,894</u>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	General Capital Projects	Southwest Village Project	Bridge Street Project	Total
<b>REVENUES</b>				
Interest revenue	\$ 517	\$ 20	\$ 1,790	\$ 2,327
Other revenue	7,850	-	-	7,850
<b>TOTAL REVENUES</b>	<b>8,367</b>	<b>20</b>	<b>1,790</b>	<b>10,177</b>
<b>EXPENDITURES</b>				
Capital outlay	49,832	1,871	31,887	83,590
<b>REVENUES (UNDER) EXPENDITURES</b>	<b>(41,465)</b>	<b>(1,851)</b>	<b>(30,097)</b>	<b>(73,413)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	7,300	-	-	7,300
<b>NET CHANGE IN FUND BALANCES</b>	<b>(34,165)</b>	<b>(1,851)</b>	<b>(30,097)</b>	<b>(66,113)</b>
FUND BALANCES, BEGINNING OF YEAR	90,144	2,563	98,300	191,007
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 55,979</b>	<b>\$ 712</b>	<b>\$ 68,203</b>	<b>\$ 124,894</b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING BALANCE SHEET AGENCY FUNDS

FEBRUARY 28, 2005

	Park and Recreation Commission	Beautification Commission	Payroll	Health Insurance	Birch Lake Sewer	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 779	\$ 767	\$ 29	\$ 8,002	\$ 11,216	\$ 20,793
Accounts receivable	-	-	-	-	2,194	2,194
<b>TOTAL ASSETS</b>	<u>\$ 779</u>	<u>\$ 767</u>	<u>\$ 29</u>	<u>\$ 8,002</u>	<u>\$ 13,410</u>	<u>\$ 22,987</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 8,002	\$ -	\$ 8,002
Accrued expenses	779	767	29	-	13,410	14,985
<b>TOTAL LIABILITIES</b>	<u>\$ 779</u>	<u>\$ 767</u>	<u>\$ 29</u>	<u>\$ 8,002</u>	<u>\$ 13,410</u>	<u>\$ 22,987</u>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Balance March 1, 2004	Additions	Deductions	Balance February 28, 2005
<b><u>PARK AND RECREATION COMMISSION</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 779	\$ -	\$ -	\$ 779
<b>LIABILITIES</b>				
Accrued expenses	\$ 779	\$ -	\$ -	\$ 779
<b><u>BEAUTIFICATION COMMISSION</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 767	\$ -	\$ -	\$ 767
<b>LIABILITIES</b>				
Accrued expenses	\$ 767	\$ -	\$ -	\$ 767
<b><u>PAYROLL</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 215	\$ 869,386	\$ 869,572	\$ 29
<b>LIABILITIES</b>				
Accrued expenses	\$ 215	\$ 869,386	\$ 869,572	\$ 29
<b><u>HEALTH INSURANCE</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,909	\$ 14,012	\$ 7,919	\$ 8,002
<b>LIABILITIES</b>				
Accounts payable	\$ 1,909	\$ 14,012	\$ 7,919	\$ 8,002

# VILLAGE OF ELK RAPIDS, MICHIGAN

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Balance March 1, 2004	Additions	Deductions	Balance February 28, 2005
<b><u>BIRCH LAKE SEWER</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,701	\$ 40,725	\$ 39,210	\$ 11,216
Accounts receivable	1,387	41,013	40,206	2,194
<b>TOTAL ASSETS</b>	<b><u>\$ 11,088</u></b>	<b><u>\$ 81,738</u></b>	<b><u>\$ 79,416</u></b>	<b><u>\$ 13,410</u></b>
<b>LIABILITIES</b>				
Accrued expenses	\$ 11,088	\$ 81,738	\$ 79,416	\$ 13,410
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,371	\$ 924,123	\$ 916,701	\$ 20,793
Accounts receivable	1,387	41,013	40,206	2,194
<b>TOTAL ASSETS</b>	<b><u>\$ 14,758</u></b>	<b><u>\$ 965,136</u></b>	<b><u>\$ 956,907</u></b>	<b><u>\$ 22,987</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,909	\$ 14,012	\$ 7,919	\$ 8,002
Accrued expense	12,849	951,124	948,988	14,985
<b>TOTAL LIABILITIES</b>	<b><u>\$ 14,758</u></b>	<b><u>\$ 965,136</u></b>	<b><u>\$ 956,907</u></b>	<b><u>\$ 22,987</u></b>

# VILLAGE OF ELK RAPIDS, MICHIGAN

## GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT

FEBRUARY 28, 2005

	Westside DDA District	Eastside DDA District	MDOT Ames St. Debt Service	Total	Adjustments	Statement of Net Assets
<b>ASSETS</b>						
Cash and cash equivalents	\$ 172,475	\$ 92,889	\$ 604	\$ 265,968	\$ -	\$ 265,968
Prepaid items	124	-	-	124	-	124
<b>TOTAL ASSETS</b>	<b>\$ 172,599</b>	<b>\$ 92,889</b>	<b>\$ 604</b>	<b>\$ 266,092</b>	<b>\$ -</b>	<b>\$ 266,092</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,534	\$ 1,280	\$ -	\$ 2,814	\$ -	\$ 2,814
Accrued expenses	600	-	-	600	-	600
Accrued interest payable	-	-	-	-	18,041	18,041
Long-term liabilities						
Due within one year	-	-	-	-	155,000	155,000
Due in more than one year	-	-	-	-	665,000	665,000
<b>TOTAL LIABILITIES</b>	<b>2,134</b>	<b>1,280</b>	<b>-</b>	<b>3,414</b>	<b>838,041</b>	<b>841,455</b>
<b>FUND BALANCES / NET ASSETS</b>						
Reserved for prepaid items	124	-	-	124	(124)	-
Unreserved and undesignated	170,339	91,611	604	262,554	(262,554)	-
<b>TOTAL FUND BALANCES</b>	<b>170,463</b>	<b>91,611</b>	<b>604</b>	<b>262,678</b>	<b>(262,678)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 172,597</b>	<b>\$ 92,891</b>	<b>\$ 604</b>	<b>\$ 266,092</b>		
<b>NETS ASSETS (DEFICIT)</b>						
Unrestricted (Deficit)					<u>\$ (575,363)</u>	<u>\$ (575,363)</u>

Continued...

**VILLAGE OF ELK RAPIDS, MICHIGAN**

**BALANCE SHEET  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT**

**FEBRUARY 28, 2005**

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**RECONCILIATION OF FUND BALANCES ON THE GOVERNMENTAL FUND BALANCE SHEET FOR  
THE DOWNTOWN DEVELOPMENT AUTHORITY TO THE STATEMENT OF NET ASSETS**

FUND BALANCES - TOTAL DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT \$ 262,678

Amounts reported for the Downtown Development Authority Component Unit in the statement  
of net assets are different because:

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore  
are not reported in the funds.

Subtract: bonds payable (820,000)  
Subtract: accrued interest on long-term liabilities (18,041)

**NET ASSETS OF DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT** **\$ (575,363)**

Concluded

# VILLAGE OF ELK RAPIDS, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT

FOR THE YEAR ENDED FEBRUARY 28, 2005

	Westside DDA District	Eastside DDA District	MDOT Ames St. Debt Service	Total	Adjustments	Statement of Activities
<b>EXPENDITURES / EXPENSES</b>						
Public works	\$ 239,623	\$ 13,982	\$ -	\$ 253,605	\$ -	\$ 253,605
Debt service						
Principal	125,000	-	25,000	150,000	(150,000)	-
Interest expense	42,803	-	13,163	55,966	(3,779)	52,187
<b>NET PROGRAM EXPENSE</b>	<b>407,426</b>	<b>13,982</b>	<b>38,163</b>	<b>459,571</b>	<b>(153,779)</b>	<b>305,792</b>
<b>GENERAL REVENUES</b>						
Taxes	384,426	99,439	-	483,865	-	483,865
Grants and contributions not restricted to specific programs	-	-	20,647	20,647	-	20,647
Interest revenue	5,478	1,227	5	6,710	-	6,710
<b>TOTAL GENERAL REVENUES</b>	<b>389,904</b>	<b>100,666</b>	<b>20,652</b>	<b>511,222</b>	<b>-</b>	<b>511,222</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	17,516	17,516	-	17,516
Transfers out	-	(17,516)	-	(17,516)	-	(17,516)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(17,516)</b>	<b>17,516</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCES / NET ASSETS</b>	<b>(17,522)</b>	<b>69,168</b>	<b>5</b>	<b>51,651</b>	<b>153,779</b>	<b>205,430</b>
<b>FUND BALANCE / NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>187,985</b>	<b>22,443</b>	<b>599</b>	<b>211,027</b>	<b>(991,820)</b>	<b>(780,793)</b>
<b>FUND BALANCE / NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 170,463</b>	<b>\$ 91,611</b>	<b>\$ 604</b>	<b>\$ 262,678</b>	<b>\$ (838,041)</b>	<b>\$ (575,363)</b>

Continued...



**VILLAGE OF ELK RAPIDS, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT**

**FOR THE YEAR ENDED FEBRUARY 28, 2005**

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF THE DOWNTOWN DEVELOPMENT  
AUTHORITY COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES**

NET CHANGE IN FUND BALANCES - TOTAL DOWNTOWN DEVELOPMENT  
AUTHORITY COMPONENT UNIT \$ 51,651

Amounts reported for the Downtown Development Authority Component Unit in the statement  
of activities are different because:

Bond proceeds provide current financial resources to governmental funds in the period issued,  
but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of  
bond principal is an expenditure in the governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets.

Add: principal payments on long-term liabilities 150,000

Some expenses reported in the statement of activities do not require the use of current financial  
resources and therefore are not reported as expenditures in governmental funds

Add: decrease in accrued interest on long-term liabilities 3,779

**CHANGE IN NET ASSETS OF DOWNTOWN DEVELOPMENT**  
**AUTHORITY COMPONENT UNIT** **\$ 205,430**

Concluded

## **INTERNAL CONTROL AND COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

July 14, 2005

Village Council  
Village of Elk Rapids  
Elk Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Elk Rapids, Michigan* (the "Village"), as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated July 14, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, members of the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, looped initial 'L'.